

USDA Foreign Agricultural Service

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Global Agricultural Information Network

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Italy

Exporter Guide

2011 Exporter Guide to the Italian Market

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Report Highlights:

This report offers U.S. companies interested in exporting food and agricultural products to Italy an overview of the country's economic situation, market structure, and export requirements, including best product export opportunities.

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Section I. Italian Market Overview

Macro Economic Situation & Key Demographic Trends

Italy has a diversified industrial economy, which is divided into a developed industrial north, dominated by private companies, and a less-developed, agricultural south, with high unemployment. The Italian economy is driven in large part by the manufacture of high-quality consumer goods produced by small and medium-sized enterprises, many of them family owned.

Italy also has a sizable underground economy, which by some estimates accounts for as much as 15% of GDP. These activities are most common within the agriculture, construction, and service sectors. Italy has moved slowly on implementing needed structural reforms, such as reducing graft, overhauling costly entitlement programs, and increasing employment opportunities for young workers, particularly women. These conditions will be exacerbated in the near-term by the global economic downturn, but in the longer-term Italy's low fertility rate and quota-driven immigration policies will increasingly strain its economy. The Italian government has struggled to limit government spending, but Italy's exceedingly high public debt remains above 115% of GDP, and its fiscal deficit - just 1.5% of GDP in 2007 - exceeded 5% in 2009 as the costs of servicing the country's debt rose.

Most raw materials required by Italian industry, including the food processing sector, and more than 75 percent of energy requirements, are imported. Italy is one of the largest agricultural producers in the European Union (EU). Its major trading partners in food and agricultural products are EU member states, with neighboring France and Germany each accounting for roughly a fifth of Italy's trade. Italy's major exports consist of wine, olive oil, cheeses, and fruits and vegetables. Italian perception of the place and role of Italian food in the global marketplace ties into the issue of protected designations of origin, or geographic indications, which represent only a small fraction of the value of total food production yet loom large in Italy's national marketing of its food exports as 'high quality and Italian'.

On balance, Italy is a net importer of agricultural products. U.S. agricultural exports to Italy in 2009 totaled \$1 billion and agricultural imports from Italy totaled \$3 billion. The U.S. mainly imports from Italy processed food products and exports commodities. The EU remains Italy's most important trading partner with the top five suppliers being France, Germany, Spain, the Netherlands and Austria, while the main importers of Italy's goods, in addition to Germany and France, were the United States, followed by the UK and Spain. Wine dominates Italy's food exports, followed by pasta, virgin and extra-virgin olive oil, canned tomatoes, cheese, biscuits and baked goods. The United States is Italy's largest non-EU market. Due to its large food processing sector's need for inputs, Italy has become a net agricultural importing country.

The United States is, for Italy, primarily a supplier of high quality inputs for Italian food processing—wheat for pasta and confectionary, forest products for furniture and housing components, tree nuts for bakery products, seeds for planting, hides and skins, seafood for the restaurant sector, and tobacco. While consumer-ready products also do succeed in this market, the EU's system of making technical conclusions subordinate to political decisions has constrained trade for many U.S. products, but in particular, meats and products containing genetically modified ingredients.

As the export market drives the Italian food processing sector, the economic performance of the world market, and particularly the economic performance of Germany and other northern neighbors, heavily influences Italian business performance. Outside the EU, where Italy competes in global food markets, the weak dollar and strong euro have continued to exert pressure on Italian food export prospects. The notable exception is the United States where Italian wine sales continue to grow in spite of the 'expensive' euro.

Population

Italy has a population of roughly 60 million on a land mass about three-quarters the size of California. Population density is about twice that of California. Historically, many Italians have emigrated (significant numbers of Italian communities are in the U.S., Canada, Belgium, Argentina, Brazil, Venezuela, and Australia), and approximately 4 million Italians still work in other countries. Recently, however, Italy has been experiencing a growing influx of immigrants (around 100,000 new legal immigrants per year).

Outside of Rome and the main tourist centers, few Italians speak a second language. Even in the big cities, truly bilingual persons are hard to find. The most commonly spoken foreign languages are English and French. With the exception of the German-speaking autonomous province of Bolzano and the significant Slovene population around Trieste, overall, ethnic minorities are small.

Italian Importers and Retailers

Italian importers are usually small to medium-sized companies, rather than the large, market-dominating types found in northern Europe. Consequently, these companies import smaller volumes and a broader range than their much larger European counterparts. Most imported food products enter the Italian market through brokers or specialized traders. Price is always important, although quality and novelty alone do move some imported products. Imported products from North America often enter Italy indirectly from the Netherlands' Port of Rotterdam, or directly by air.

Processed food is primarily distributed through retail grocers, convenience stores and discount grocers. Italian retail chain outlets have started to make their own purchasing decisions.

Advantages and Challenges for U.S. Exporters in Italy

<i>Advantages</i>	<i>Challenges</i>
U.S. products are viewed as “trendy, new and innovative”, especially those with added benefits of health and lifestyle.	Strong cultural presumptions that Italian food products are superior to those of foreign suppliers.
Growing niche market for ethnic foods. Italians are traveling more, becoming aware of foreign cuisines.	Ingrained political opposition to modern biotechnology, which leads distribution chains to avoid GMO products.
Weak dollar versus a strong EURO favors U.S. exports.	The detention of U.S. products by Italian border inspectors for not conforming to EU sanitary standards.
U.S. fast food chains, theme restaurants, and the food processing industry are demanding U.S. origin ingredients.	Need to develop and invest in the relationship with the Italian trade contacts and the marketing of the product. Supermarket and hypermarket shelf space and product placement is expensive.

Section II. Exporter Business Tips

Trade Regulations, Customs and Standards

As a member of the EU, the Common Agricultural Policy (CAP) governs Italy’s agricultural sector. Similarly, Italy employs the same tariffs and border measures as the other EU member states. Product imported into Italy must meet all Italian and EU food safety and quality standards, as well as labeling and packaging regulations. It is important to work with experienced importers, and/or have an agent to work with Italian regulatory authorities to ensure the acceptability of specific products. Personal relationships and language ability are of value when conducting business transactions. It is also advisable for the agent to contact health authorities at the port of entry as interpretation of health directives may vary from port to port. For more information on Product Trade Restrictions, Food Standards and Regulations, please refer to Post’s FAIRS GAIN Report IT9021.

Section III. Market Sector Structure and Trends

The Italian Food Retail Sector

Italians spend an enormous amount (more than 20%) of their disposable income on food, beverages and tobacco. In 2009, Italian household expenditure on food and drink (including alcoholic beverages) was approximately \$130 billion. The higher exports were mainly due to increases in the price of food due to an increase in the price of raw materials (mainly cereals) and the cost of energy. In Italy there are about 4 million foreign residents and food retail outlets have started to cater to these consumers with more foreign and ethnic foods, but these offerings

remain small in the face of traditional Italian cuisine.

With Europe's Muslim population growing rapidly, halal butcher shops and restaurants are becoming more commonplace, and there is an increased crossover between Muslim and non-Muslim cuisine. More than 1 million Muslims now live in Italy, and, according to reports, halal foods are making inroads into the local cuisine alongside North African and Middle Eastern spices.

Continuing tendencies toward smaller families, later marriages, and an increasing number of women in the workforce are resulting in food retail outlets offering more ready-made, ready-to-serve products and a wider range of products. Italian households still prefer fresh rather than frozen and frozen to canned food, as shopping frequency is greater in Italy than in many other European markets.

The main groups in modern retailing in Italy are the following:

Centrale Italiana - (COOP, Despar, Sigma, Il Gigante)

Centrale CONAD - (Conad, Standa-Rewe, Interdis)

Esd Italia - (Selex, Esselunga, Agora')

Gruppo Carrefour - (Carrefour, Finiper)

Sisa-Coralis - (Sisa, Coralis)

Auchan/Intermedia - (Bennet, Pam, Crai, Lombardini, Auchan)

C3

Lidl

Eurospin

Italian food retailing is still very fragmented and dominated by a high number of small to medium-sized outlets. Most of the supermarkets, hypermarkets, and large shopping malls are mainly located in the North of Italy, while the south continues to lag behind with fewer retail outlets and a still underdeveloped distribution network. Large retailers have started to source products from buying groups who can ensure better deals with suppliers, while some large food retailers have decided to join buying groups to increase their leverage when dealing with suppliers.

Although buying groups are largely the precinct of large chain food retailers, independent retailers have started to understand their value. A number of large multinational retailers have either merged or made acquisition agreements with local Italian players, in order to assimilate know-how and avoid fairly strict Italian regulations.

Discount retailers are slowly emerging in the Italian market, but have had to modify their market approach by catering to Italian consumer preferences. Hard discounting in the past has proven not to work in Italy but by modifying their image and offering a mix of branded and private label products they seem to have made inroads with the Italian consumer.

Private label products have also seen a surge in acceptance by Italian consumers. Each retailer has begun to offer a variety of private label food products, targeting different types of consumers, especially in the organic or typical regional categories.

Centrale Italiana's COOP is presently the most important retailer in Italy. Born as a cooperative between farmers, they have succeeded in incorporating small to medium sized Italian businesses, which have flourished by maintaining their in-depth knowledge and appreciation of Italian and local tastes and needs.

The two most important foreign retailers currently present in Italy are Carrefour and Auchan. Auchan has chosen to enter the Italian market with various formats; hypermarkets, supermarkets, department stores, variety stores and hardware stores, while Carrefour's formats include hypermarkets, supermarkets and convenience stores, with supermarkets being their best performer.

The Italian Hotel and Food Service Industry

Every year more than 90 million tourists visit Italy, making it the world's fourth most attractive tourist destination. The Italian Hotel and Food Service Industry is a lucrative and growing sector (it is the second largest in the world after the United States); however, it is also diverse and fragmented. It is dominated by many small establishments, bed and breakfast, youth hostels, camping's, resorts and rural tourism belonging to foreign investors.

Most imported food products enter the Italian market through brokers or specialized traders. Imported products from North America often enter Italy indirectly via the Netherlands' Port of Rotterdam or directly by air. Wholesalers are the main customers for fish and seafood products, as they purchase and distribute to numerous small restaurants and hotels. Most of the processed food and raw material sourcing decisions are made directly by the restaurant chef and/or hotel Food Purchasing Director. Restaurants, hotels and catering companies tend to rely on importers, wholesalers and food manufacturers, while *trattorias* and pizzerias purchase directly from large retail food outlets. While there are Category Associations for the Hotel and Food Service sectors, each establishment operates independently when it comes to sourcing decisions.

Changing Italian lifestyles, with more workers now forced to spend their lunch hours outside of the home due to either longer commuting times or shorter lunch breaks, have given a boost to the food service industry. Italy is slowly moving towards trends and lifestyles seen in other European countries, and it is forecast that an increasing numbers of consumers will eat out during their lunch breaks and possibly also for their evening meals as a result of their jobs, long working hours and business meetings. In the future very few will be able to have a siesta in the afternoon, while most will have to cut down on their lunch break time. Although lunch breaks are likely to become shorter, it is unlikely that most Italians will eat lunch at their desks. Italians still prefer leaving the office for a quick bite.

Section IV.

Best Prospects for U.S. Agricultural, Fish and Forestry Exports

U.S. bulk and intermediate commodities are used as ingredients or inputs for value-added Italian

products re-exported. North American high-quality durum wheat, for example, is used to produce pasta. Italy is the world's fifth largest importer of seafood products, with an estimated annual consumption of almost 26 kilograms of fish and seafood. Last year Italy imported \$82 million from the United States in seafood products.

Opportunities exist in the supply of fish, especially tuna, salmon, crab, surimi, roe, seafood for the canning industry, frozen fish fillets such as hake, cod and plaice to meet the demand for convenient, ready-to-prepare products, peeled and processed shrimp, squid, cuttlefish, octopus and lobster. Opportunities also exist for fruit berries, condiments, fruit juices, and tree nuts, all sectors that have seen growth in recent years.

Key Trade & Demographic Information - Italy 2009-2010

Agricultural, Fish and Forestry Imports from the U.S. 1 billion \$	Consumer Food Imports from the U.S.: 314,489 million \$
Fish and Seafood Imports from the U.S.: 82,632 million \$	Unemployment Rate: 7.7 percent
Italian Population 58,126,212 (July 2010 est.)	Total Rural Population: 20 Million
Foreign Population 4 million	Total Urban Population: 40 Million
Major City Centers: (13) Rome, Milan, Naples, Turin, Palermo, Genoa, Bologna, Florence, Catania, Bari, Venice, Messina and Verona	Per Capita Income: \$30,000
Gross Domestic Product: \$1.739 trillion	Labor Force 25 million
Exchange Rate: EURO per U.S. Dollar Average 2009: €0.7153 = \$1.00 Average 2008: €0.6827 = \$1.00 Average 2007: €0.7345 = \$1.00	

Source: BICO, ISTAT, Global Trade Atlas, European Central Bank, and CIA Fact Book

Leading U.S. Agricultural Exports to Italy	Cumulative To Date Values in Thousands of dollars January-December				
	2008	2009	Jan-Aug 2009	Jan-Aug 2010	2010/2009

<i>(Thousands of U.S. \$)</i>	000 \$	000 \$	000 \$	000 \$	% change
Ag, Fish & Forest Prods	1,099,916	937,808	557,759	567,112	1.7
Consumer Oriented Total	364,634	314,489	179,134	173,476	-3.2
Tree Nuts	140,945	125,986	52,963	53,713	1.4
Processed Fruit & Vegetables	91,715	83,453	60,806	37,668	-38.1
Wine and Beer	57,163	59,684	34,997	41,430	18.4
Other Consumer Oriented	11,133	13,113	8,388	7,732	-7.8
Red Meats, FR/CH/FR	15,458	10,771	6,494	20,507	215.8
Pet Foods	24,478	7,040	4,649	3,811	-18.0
Nursery Products	7,850	3,902	3,305	618	-81.3
Eggs & Products	2,576	3,105	2,533	596	-76.5
Snack Foods	2,651	2,723	1,629	2,665	63.6
Poultry Meat	1,493	1,377	1,067	1,115	4.5
Dairy Products	5,805	1,258	691	2,141	209.8
Fruit & Vegetable Juices	1,590	975	641	604	-5.8
Fresh Fruit	71	449	398	357	-10.3
Fresh Vegetables	443	396	381	292	-23.4
Red Meats, Prep/Pres	1,042	164	114	105	-7.9
Breakfast Cereals	220	92	75	122	62.7
Intermediate Total	194,742	214,516	157,550	109,375	-30.6
Vegetable Oils (Ex Soybean)	36,344	65,679	57,500	5,429	-90.6
Other Intermediate Products	25,086	42,704	26,164	22,636	-13.5
Hides & Skins	56,746	40,043	23,297	48,262	107.2
Planting Seeds	40,128	31,409	18,195	19,754	8.6
Soybean Meal	24,086	23,732	23,621	9,915	-58.0
Feeds & Fodders	6,050	7,100	6,236	1,417	-77.3
Wheat Flour	0	1,823	1,812	0	-100.0
Live Animals	4,526	1,330	264	1,564	492.4
Sugar, Sweeteners, Bev Bases	1,722	547	352	271	-23.0
Soybean Oil	18	139	96	90	-6.3
Animal Fats	36	11	11	37	236.4
Bulk Total	269,516	186,409	83,416	114,217	36.9
Wheat	102,748	108,160	71,159	60,067	-15.6
Soybeans	79,344	56,985	692	34,809	4930.2
Cotton	16,488	6,100	3,295	7,225	119.3
Pulses	5,576	5,577	2,633	4,937	87.5
Peanuts	7,393	4,826	2,564	3,070	19.7
Other Bulk Commodities	3,511	3,138	1,971	2,174	10.3
Tobacco	48	1,158	721	1,734	140.5
Rice	475	436	381	200	-47.5
Coarse Grains	53,934	31	n.a.	n.a.	n.a.
Forest Products	191,004	139,762	88,795	115,653	30.2
Hardwood Lumber	81,388	68,985	40,792	63,090	54.7
Logs and Chips	56,808	40,561	27,033	30,665	13.4
Panel Products (Incl Plywood)	30,168	16,469	11,398	11,167	-2.0
Other Value-Added Wood Prod	12,323	7,673	5,278	5,520	4.6
Softwood and Treated Lumber	10,318	6,074	4,294	5,210	21.3

Fish Products	80,020	82,632	48,865	54,391	11.3
Other Edible Fish & Seafood	72,747	76,024	44,766	49,238	10.0
Salmon Whole or Eviscerated	4,358	4,746	2,737	3,596	31.4
Roe & Urchin (Fish Eggs)	1,989	1,319	1,177	1,249	6.1
Salmon Canned	624	458	162	90	-44.4
Crab & Meat	302	85	23	217	843.5

Source: BICO

Section V. Key Contacts

USDA FAS Contacts in Rome, Italy

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Key Italian Government Agencies and Associations

Ministero delle Politiche Agricole e Forestali

(Ministry of Agriculture)

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00187 Roma

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Ministero della Sanita'

(Ministry of Health)

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Ministero delle Economia e delle Finanze

(Ministry of Treasury)

Agenzia delle Dogane (Customs Agency)

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Istituto per il Commercio Estero

(Italian Trade Commission)

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(Italian National Food Organization)

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